

**SECTION 2**  
**EXHIBIT 2**  
**ACCOUNT RISK ANALYSIS**

Account Risk Analysis (adapted from the GAO/PCIE Financial Audit Manual as described in the CFO Council Guide)

ENTITY: XYZ Agency (XYZ) <div style="text-align: right; margin-top: 10px;">REGION:</div>										
<div style="display: flex; justify-content: space-between;"> <div>           PREPARER: _____            DATE OF FINANCIAL STATEMENTS: 9/30/XX            _____            LINE ITEM: Accounts Receivable - Net         </div> <div>           FILE: _____              DATE: _____         </div> </div>										
<b>ACCOUNT RISK ANALYSIS FORM</b>										
Page ____ of ____										
PLANNING PHASE					INTERNAL CONTROL PHASE			TESTING PHASE		
Account		Financial Statement Assertions/Risks	Inherent, Fraud, and Control Risk Factors	Cycle/ Accounting Application	Effectiveness of Control Activities	Control Risk	Combined Risk	Timing I/F	Nature & Extent	W/P Ref. & Audit Step
Name	Balance									
Accounts Receivable, Net	\$876,000,000	<b>Existence or Occurrence:</b>  Recorded accounts receivable do not exist.	No significant inherent, fraud, or control risk factors identified.	Sales/ Billing   Sales Returns  Cash Receipts  Accounts Receivable	Effective   Effective  Effective  Effective	Low	Low	F	Confirm balances and test reconciliation of subsidiary ledger to the general ledger.	III-5 to III7

# Account Risk Analysis (cont.)

ENTITY: XYZ Agency (XYZ)					<b>ACCOUNT RISK ANALYSIS FORM</b>					
PREPARER: _____ DATE OF FINANCIAL STATEMENTS: 9/30/XX _____ _____ LINE ITEM: Accounts Receivable - Net					REGION: _____ DATE: _____ FILE: _____					
Page ____ of ____										
PLANNING PHASE				INTERNAL CONTROL PHASE			TESTING PHASE			
Account		Financial Statement Assertions/Risks	Inherent, Fraud, and Control Risk Factors	Cycle/ Accounting Application	Effectiveness of Control Activities	Control Risk	Combined Risk	Timing I/F	Nature & Extent	W/P Ref. & Audit Step
Name	Balance									
		<b><i>Completeness:</i></b>  <i>Accounts receivable are not recorded in a timely manner so as to be included in the financial statements.</i>	<i>No significant inherent, fraud, or control risk factors identified.</i>	<i>Sales / Billing</i>  <i>Sales Returns</i>  <i>Cash Receipts</i>  <i>Accounts Receivable</i>	<i>Effective</i>  <i>Effective</i>  <i>Effective</i>  <i>Effective</i>	<i>Low</i>	<i>Low</i>	<i>F</i>	<i>Perform analytical procedures. Test cut-off.</i>	<i>III-8 to III-12</i>

# Account Risk Analysis (cont.)

ENTITY: XYZ Agency (XYZ)					<b>ACCOUNT RISK ANALYSIS FORM</b>					
PREPARER: _____ DATE OF FINANCIAL STATEMENTS: 9/30/XX _____ _____ LINE ITEM: Accounts Receivable - Net					REGION: _____ DATE: _____ FILE: _____					
Page ____ of ____										
PLANNING PHASE					INTERNAL CONTROL PHASE			TESTING PHASE		
Account		Financial Statement Assertions/Risks	Inherent, Fraud, and Control Risk Factors	Cycle/ Accounting Application	Effectiveness of Control Activities	Control Risk	Combined Risk	Timing I/F	Nature & Extent	W/P Ref. & Audit Step
Name	Balance									
		<b><i>Valuation or Allocation:</i></b>  <i>Accounts receivable are not valued accurately or on an appropriate basis in the financial statements.</i>	<i>The bankruptcy filing by a major debtor and the financial difficulties of several other debtors in the current economic environment give rise to an inherent risk. No significant fraud or control risk factors identified. .</i>	<i>Sales/ Billing</i>  <i>Sales Return</i>  <i>Cash Receipts</i>  <i>Accounts Receivable</i>	<i>Effective</i>  <i>Effective</i>  <i>Effective</i>  <i>Effective</i>	<i>Low</i>	<i>Moderate</i>	<i>F</i>	<i>Confirm balances (see existence), test the accuracy of the aging, analytically review bad debts and allowance, and examine evidence of collectibility for selected accounts receivable. Discuss with management collectibility from troubled debtors.</i>	<i>III-13 to III18</i>

# Account Risk Analysis (cont.)

ENTITY: XYZ Agency (XYZ)					<b>ACCOUNT RISK ANALYSIS FORM</b>					
PREPARER: _____ DATE OF FINANCIAL STATEMENTS: 9/30/XX _____ _____ LINE ITEM: Accounts Receivable - Net					REGION: _____ DATE: _____ FILE: _____					
Page ____ of ____										
PLANNING PHASE					INTERNAL CONTROL PHASE			TESTING PHASE		
Account		Financial Statement Assertions/Risks	Inherent, Fraud, and Control Risk Factors	Cycle/ Accounting Application	Effectiveness of Control Activities	Control Risk	Combined Risk	Timing I/F	Nature & Extent	W/P Ref. & Audit Step
Name	Balance									
		<b><i>Rights and Obligations:</i></b>  <i>XYZ does not own unencumbered rights to recorded accounts receivable.</i>	<i>No significant inherent, fraud, or control risk factors identified.</i>	<i>Accounts Receivable</i>	<i>Effective</i>	<i>Low</i>	<i>Low</i>	<i>F</i>	<i>Identify accounts receivable from related parties or major debtors. Review confirmations for indication of guarantees or encumbrances.</i>	<i>III-19 to III-22</i>

# Account Risk Analysis (cont.)

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PLANNING PHASE					INTERNAL CONTROL PHASE			TESTING PHASE		
Account		Financial Statement Assertions/Risks	Inherent, Fraud, and Control Risk Factors	Cycle/ Accounting Application	Effectiveness of Control Activities	Control Risk	Combined Risk	Timing I/F	Nature & Extent	W/P Ref. & Audit Step
Name	Balance									
		<p><b>Presentation and Disclosure:</b></p> <p><i>Accounts receivable are not properly classified or disclosed in the financial statements, nor are they based on a consistent application of accounting principles.</i></p>	<p><i>No significant inherent, fraud, or control risk factors identified.</i></p>	<p><i>Accounts Receivable</i></p>	<p><i>Effective</i></p>	<p><i>Low</i></p>	<p><i>Low</i></p>	<p><i>F</i></p>	<p><i>Determine appropriateness of footnote disclosures. Summarize and test credit risk disclosures. Review accounting principles used.</i></p>	<p><i>III-23 to III-25, IV-16</i></p>
Line Item Total	\$876,000,000									